Request for Public Comment Concerning the Implementation of Governor Blagojevich's proposal for a Sustainable Energy Plan for Illinois

On February 11, 2005, Governor Blagojevich sent a letter to Chairman Hurley of the Illinois Commerce Commission concerning the Governor's vision with respect to increasing Illinois' use of renewable energy and energy efficiency.[1] In this letter, the Governor stated, "I submit for your consideration a proposal for a Sustainable Energy Plan for Illinois" ["the Plan"].[2] As noted in the Governor's letter, his proposal "reflects the general consensus among key stakeholders, including Illinois' largest electric utility companies, environmental, and consumer groups." The purpose of this informal inquiry is to enable those stakeholders, as well as any other interested parties, to provide the Commission with their views on how the Commission should implement this Plan. Additionally, these questions are designed to solicit factual information to enhance the Commission's knowledge base. The Commission intends to complete this process as expeditiously as possible. To that end, interested parties should respond to these questions no later than 5:00 P.M., March 9, 2005. Responses should be attached to an email in Word format addressed to Harry Stoller at hstoller@icc.state.il.us. Please include a carbon copy for Michelle Mishoe at mmishoe@icc.state.il.us. Specific questions are included below.

Renewable Portfolio Standard

[1] The Governor's letter is available from http://www.icc.state.il.us/ec/docs/050217ecGovEnergy1.pdf
[2] The Governor's Sustainable Energy Plan for Illinois is available from http://www.icc.state.il.us/ec/docs/050217ecGovEnergy2.pdf

Renewable Energy Procurement Standard

> ***We recommend that by 2006 at least 2% of the electricity to be sold to Illinois customers by electric utility and alternative retail electric suppliers be generated from renewable energy. We further recommend that the amount of electricity required from renewable resources increase by 1% annually until, in 2012, at least 8% of the total electricity supplied to Illinois customers is generated by renewable resources. Since wind resources are Illinois' most abundant and affordable renewable energy resource, we recommend that at least 75% of the renewable energy procured to meet the Renewable Portfolio Standard be required to be generated by wind resources.***

What is the most effective way to implement these standards and attain the stated goals? What technical issues should be addressed regarding adding renewable resources, wind resources in particular, to meet these standards within the time frame contemplated in the Plan? How have other states have implemented renewable portfolio standards? When describing other states' processes, please include any documentation, citations to web sites, expert contact information, etc., that may be useful in evaluating this information.

Eligible Renewable Energy Resources

> ***We recommend that only renewable energy resources, as that term is defined in the Renewable Energy, Energy Efficiency, and Coal Resources Development Law of 1997, be eligible to meet the Renewable Portfolio Standard requirements. In addition, energy produced by methane recovered from landfills may be considered a renewable energy resource for the purpose of meeting the Renewable Portfolio Standard requirements.***
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> ***For Illinois to improve air quality and help comply with federal air quality standards, we recommend that renewable energy procured to meet the Renewable Portfolio Standard be generated in Illinois or in a directly adjacent serious or severe National Ambient Air Quality Standard non-attainment area as designated by the United States Environmental Protection Agency.***

The renewable resource types identified in the Renewable Energy, Energy Efficiency, and Coal Development Law of 1997, include "wind, solar thermal energy, photovoltaic cells and panels, dedicated crops grown for energy production and organic waste biomass, hydropower that does not involve new construction or significant expansion of hydropower dams, and other such alternative sources of environmentally preferable energy." For each of the above resource types, as well as for *methane recovered from landfills*, what is the current capacity and output of such resources? For each resource type, what are the currently planned expansions

of such resources? For each resource type, what is the technical potential for increasing the development of such resources in Illinois? How do these levels compare to the various standards identified in the Governor's Renewable Energy Procurement Requirement, cited above?

Competitive Procurement

> ***We recommend that electric utilities and alternative retail electric suppliers enter into competitive long-term (e.g. at least ten-year) power purchase agreements with renewable energy generators to meet the annual goals of the Renewable Portfolio Standard. We also suggest that fully executed power purchase agreements be submitted to the Illinois Commerce Commission with adequate lead time to ensure that necessary renewable energy resources are available to meet the Renewable Portfolio Standard requirements.***
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> ***We concur with the Illinois Commerce Commission's recommendation as stated in its December 2, 2004 letter that "any RPS must consider the effect of the use of renewable resources on rates while also analyzing their net economic impact on utilities and ratepayers including health costs, electric distribution investment, etc." We recommend that the Commission take these factors into account when reviewing renewable power purchase agreements to ensure that such contracts are competitive with long-term electricity market price projections and have a stabilizing impact on long-term electric rates.***
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> ***Power purchase agreements for renewable electricity procurement should be based on reasonable costs that reflect a full accounting of overall long-term benefits of renewable energy (i.e., consumer benefits of long-term fixed price contracts, environmental, economic and electricity system benefits including increased fuel diversity). Recovery for renewable energy procurement will be treated as other fuels as allowed by law and consistent with this standard. The ICC may consult with consumer and environmental organizations, electric utilities, alternative retail electric suppliers, and developers of renewable energy generating facilities to help determine appropriate renewable energy prices.***

How should the Commission implement this policy? Please include in your analysis how Illinois utilities and ARES should go about entering into "competitive long-term (e.g. at least ten-year) power purchase agreements" with renewable energy generators. How have other States addressed similar issues regarding the procurement of renewable resources? When describing other states' processes, please include any documentation, citations to web sites, expert contact information, etc., that may be useful in evaluating this information.

The Plan states “Power purchase agreements for renewable electricity procurement should be based on reasonable costs that reflect a full accounting of overall long-term benefits of renewable energy (i.e., consumer benefits of long-term fixed price contracts, environmental, economic and electric system benefits including increased fuel diversity). Recovery for renewable energy procurement will be treated as other fuels as allowed by law and consistent with this standard.” How should the Commission implement this policy? Please provide information relating to how such benefits should be accounted for, including how other states have addressed similar issues. When describing other states’ processes, please include any documentation, citations to web sites, expert contact information, etc., that may be useful in evaluating this information.

How should the “overall long-term benefits of renewable energy (i.e., consumer benefits of long-term fixed price contracts, environmental, economic and electric system benefits including increased fuel diversity)” be measured? How have other states assessed such benefits? When describing other states’ processes, please include any documentation, citations to web sites, expert contact information, etc., that may be useful in evaluating this information.

Interstate Renewable Energy Trading

> ***We recommend that the Illinois Commerce Commission in cooperation with the Illinois Department of Commerce and Economic Opportunity conduct a study by no later than December 31, 2008 to determine the feasibility of interstate trading of renewable energy credits with other states that have adopted Renewable Portfolio Standards and which allow purchases of renewable energy generated in Illinois to meet those standards. We also recommend that the Illinois Department of Commerce and Economic Opportunity convene a meeting of energy officials from these states to discuss potential trading mechanisms.***

What issues should this study examine? Are there other interstate trading programs in effect? If so, how do they work? When describing other states’ processes, please include any documentation, citations to web sites, expert contact information, etc., that may be useful in evaluating this information.

Penalties for Noncompliance

> ***To ensure compliance with provisions of the Renewable Portfolio Standard, we recommend that electric utilities and alternative retail electric suppliers pay a penalty of $25 per megawatt hour each year for any shortfall in contracted supply if they do not supply the required amount of renewable energy by the designated date. We suggest that any penalties be deposited into the Renewable Energy Resources Trust Fund to be used by the Department of Commerce***

and Economic Opportunity for the purposes of supporting the actual development, construction, and utilization of renewable energy projects in Illinois.

An electric utility or alternative retail electric supplier should not be fined if the company can demonstrate that its contracted renewable energy suppliers were unable to deliver adequate supplies of renewable energy due to circumstances beyond the control of the electric utility or alternative retail electricity supplier. In any case where the Illinois Commerce Commission finds that such a compelling demonstration has been made, the electric utility or alternative retail electric supplier must provide a mutually acceptable alternative means of developing and utilizing renewable energy resources in Illinois, subject to the review and approval of the Illinois Commerce Commission and the Department of Commerce and Economic Opportunity.

What information should be required to demonstrate compliance with the provisions on the Plan?

ENERGY EFFICIENCY PORTFOLIO STANDARD

Increased investment in energy efficiency and electric demand reduction would reduce the amount of money that Illinois citizens and businesses spend on electricity and would produce significant economic, employment and environmental benefits. Many energy efficiency measures actually save more money than they cost.

Energy Efficiency Procurement Requirement

In order to realize the significant benefits of energy efficiency and demand reduction, we recommend that the Illinois Commerce Commission establish goals for Illinois electric utilities and alternative retail electric suppliers to procure sufficient energy efficiency and demand reduction services to reduce electricity consumption in Illinois by the following amounts each year:

Years 2006 to 2008: 10% of Projected Annual Load Growth
Years 2009 to 2011: 15% of Projected Annual Load Growth
Years 2012 to 2014: 20% of Projected Annual Load Growth
Years 2015 to 2017: 25% of Projected Annual Load Growth

Please indicate the most effective way to implement these standards and attain the stated goals. What technical issues should be addressed regarding the

implementation of these standards within the time frame contemplated in the Plan? Please indicate how other states have implemented similar standards. When describing other states' processes, please include any documentation, citations to web sites, expert contact information, etc., that may be useful in evaluating this information.

Competitive Procurement

> ***We recommend that electric utilities and alternative retail electric suppliers enter into competitive long-term (e.g. at least ten-year) contracts with efficiency services providers to meet the annual goals of the Energy Efficiency Portfolio Standard to implement efficiency measures for residential, commercial and industrial customers. At the end of each year, electric utilities and alternative retail electric suppliers would be required to demonstrate that these efficiency measures reduced their total electricity sales and/or demand by the goals of the Energy Efficiency Portfolio Standard.***
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> ***Similar to the treatment of renewable resources, we recommend that the Commission review contracts with Energy Efficiency Service Providers to ensure that such contracts are competitive with long-term electricity market price projections and have a stabilizing impact on long-term electric rates. We recommend that the costs of complying with these energy efficiency and demand reduction requirements be fully recoverable in rates if they are shown to be competitive with traditional forms of generation and delivery resources. Contracts for energy efficiency and demand response should be based on reasonable costs that reflect a full accounting of overall long-term benefits of such resources (i.e. consumer benefits of long-term fixed price contracts, environmental, economic and electricity system benefits). Contracts could be in the form of up-front capital investment or ongoing energy/demand payments.***

How should the Commission implement this policy? How should these benefits be accounted for, including how other states have addressed similar issues? When describing other states' processes, please include any documentation, citations to web sites, expert contact information, etc., that may be useful in evaluating this information. How should the Commission measure the success of these programs?